

CONFIDENTIAL
CLASSIFICATION ~~SECRET~~/CONTROL - U.S. OFFICIALS ONLY
SECURITY INFORMATION
CENTRAL INTELLIGENCE AGENCY

25X1A

REPORT NO. [REDACTED]

INFORMATION REPORT

CD NO.

COUNTRY China

DATE DISTR. 25 JAN 1952

SUBJECT Silk Weaving Industry and Spinning and Weaving Accessories Industry, Shanghai

NO. OF PAGES 3

PLACE ACQUIRED [REDACTED] 25X1A

NO. OF ENCLS.
(LISTED BELOW)

DATE OF INFO. August 1949 - mid-June 1951

SUPPLEMENT TO REPORT NO. 25X1X

1. Before Communist occupation of Shanghai, there were 370 silk-weaving factories with 6,500 sets of weaving machines. The proportion was as follows:

<u>Number of sets of machines per factory</u>	<u>Percentage of total number of factories</u>
Under 10	40%
10 - 20	37%
20 - 50	18%
50 - 100	3%
over 1,000	2%

2. After Communist occupation production at the various factories was as follows:

<u>Date</u>	<u>Total no. of factories</u>	<u>Factories in full operation</u>	<u>Factories in partial operation</u>	<u>Machines in opera- tion</u>	<u>Produc- tion (Pieces)</u>
Aug. '49	389			3,100	20,000
Dec. '49	359	54	207	2,582	44,000
Apr. '50	323	8	59	247	7,640
Aug. '50	300	33	147	1,921	21,457
Apr. '51	357	64	227		358,943

3. The factories are no longer business enterprises attracting capital but are manufacturing agents for Communist-controlled sales organizations. The Communist policy is designed to force small factories to close down or unite into syndicates so as to facilitate control. The following measures have been taken to implement their policy:
- a. Assumption of control over production in order to retain the profits. Factories which produce on their own behalf face many difficulties because of the slump in public purchasing power, Communist exploitation of capital funds of various factories, monopoly of raw materials by the official China Natural Silk Company (中國絲綢公司), and official production orders. In August 1950, 180 factories were in full

CONFIDENTIAL
CLASSIFICATION ~~SECRET~~/CONTROL - U.S. OFFICIALS ONLY

STATE	<input checked="" type="checkbox"/>	NAVY	<input checked="" type="checkbox"/>	NSRB		DISTRIBUTION													
ARMY	<input checked="" type="checkbox"/>	AIR	<input checked="" type="checkbox"/>	FBI															

SECRET/CONTROL - U.S. OFFICIALS ONLY

CENTRAL INTELLIGENCE AGENCY

25X1A

-2-

or partial operation, but 99, or 55 percent were producing for the Communists. Under Communist control, the 1949 manufactures were based entirely on domestic consumption, while in 1950 they concentrated on production for foreign markets. All high-grade manufactures were soon monopolized by the Communists. The Communists chose factories to manufacture for them which met the following conditions:

- (1). Factories with machines that weave silk piece-goods of extra-wide dimensions for foreign markets and with such mechanical equipment as drawing and carding frames. These factories continued production after the Nationalist bombing on 6 February 1950.
- (2). Factories with much experience weaving silk piece-goods for abroad and with international reputations for quality.
- (3). Factories in which management and labor relations were good so that they could guarantee rapid fulfillment of orders.

b. Merging of small factories into syndicates to facilitate control. The various small factories had been uncoordinated and difficult to control. Since June 1951, the factories have to get their supplies through the official China Natural Silk Company, which monopolizes all silk. If there is no demand for their products, these factories can only manufacture for the Communists. Silk is allocated to induce the factories to join syndicates. The Communists grant quotas of silk to these syndicates and will place orders with them. Two syndicates have been formed. The First Business Syndicate (第一聯合營業公司) has 23 factories with 414 sets of machines, 207 of which are in operation. The Second Business Syndicate (第二聯合營業公司) has 13 factories with 163 machines, 116 of which are in operation.

4. After two years of controlling materials and promoting mergers, only 14 percent of the total number of factories, excluding those few with over 50 machines, have joined the syndicates. The Communists claim that the factories have not done as they were ordered and that they have been sabotaged by Nationalist secret agents. On 27 April 1951, during the mass arrests, all refractory owners were jailed.
5. In the past Great Britain and the United States were the best customers of Chinese textiles. Their ban on imports from Communist China practically closed the Chinese foreign market. Other markets can eventually be found in the Soviet bloc when quality has been improved to meet their standards. Meanwhile CH'EN Yun (陳雲), chairman of the Finance and Economic Committee, has called on the industry to avert depression by pushing sales of silk fabrics to cotton-producing countries and by concentrating on the Chinese rural market. However, current foreign demand is negligible and Chinese rural purchasing power has not yet been developed.
6. The accessories industry comprises the tools, appliances and accessories used in machines for spinning and weaving cotton, wool, silk, and flax or ramie. The accessories industry has followed the spinning and weaving industry and is concentrated in the Shanghai area. Production includes bobbins, shuttles, bowls, steel-wire frames, spinning frame parts, pith, spinning and weaving springs, leather and chinaware accessories, steel card cloth, travellers, and spindle tapes and ropes.

SECRET/CONTROL - U.S. OFFICIALS ONLY

Document No.	005
Change in Class.	<input type="checkbox"/>
Declassified	<input type="checkbox"/>
Class. Changed To:	TS 3 (C)
Date:	2/2/72
By:	72

~~CONFIDENTIAL~~ SECRET/CONTROL - U.S. OFFICIALS ONLY

CENTRAL INTELLIGENCE AGENCY

25X1A

-3-

7. The accessories industry began to grow rapidly in Shanghai after the victory over Japan. By 1947, 30 bobbin works were producing 400,000 bobbins annually for foreign and domestic markets. During the initial period of Communist administration after the fall of Shanghai in 1949, the Communists did not impose any control, and production was carried on as usual. Business has slumped considerably since 1950 when the Communists began to centralize control of financial and economic activities. The factories, following directions given by the Communists, had to organize themselves into syndicates. The First, Second, and Third Syndicates for the bobbin trade have been formed to push sales and to allot production. Since the American embargo, the industry lacks raw materials. All important materials except timber, such as steel wire, steel sheets, copper sheets, tinned plates, varnish, and synthetic resins, were previously imported. Unless other sources of raw materials are opened or substitutes are introduced, the whole industry may be forced to suspend operations.

~~CONFIDENTIAL~~

SECRET/CONTROL - U. S. OFFICIALS ONLY

SECRET/CONTROL - U.S. OFFICIALS ONLY